

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



**CORRECTED
FISCAL NOTE**

SB 2354 – HB 2735

February 20, 2012

SUMMARY OF BILL: Exempts from state and local sales tax solar panels purchased for any legitimate business purpose or commercial use.

ESTIMATED FISCAL IMPACT:

On January 28, 2012, a fiscal note was issued estimating a fiscal impact as follows:

Decrease State Revenue – Net Impact - \$526,900

Decrease Local Revenue – \$222,600

Due to incomplete information, this impact was in error. Based upon additional information from the Department of Revenue, the estimated impact is:

(CORRECTED)

Decrease State Revenue – Net Impact - \$395,200

Decrease Local Revenue – \$167,000

Assumptions:


- Based on the quantity of solar collectors shipped to Tennessee in 2009 per Energy Information Administration data, recent sales growth of solar collectors, and information provided by the Department of Revenue (DOR), taxable sales of solar collectors are estimated to be \$13,150,000 in FY12-13.
- Sixty percent of estimated taxable sales (or \$7,890,000) is assumed to be for business or commercial use. This number is assumed to remain constant in subsequent years.
- Based on information received by DOR, it is estimated that approximately 25 percent of sales for business or commercial use will be exempt under current law pursuant to the definition of “industrial machinery” codified in Tenn. Code Ann. § 67-6-102(46)(A)(i), and pursuant to the definition of “tangible personal property” codified in Tenn. Code Ann. § 67-6-102(91)(A).

SB 2354 – HB 2735 (CORRECTED)

- The current state sales tax rate is 7.0 percent; the average local option sales tax rate is estimated to be 2.5 percent.
- The recurring decrease in state sales tax revenue will be \$414,225 ($\$7,890,000 \times 75.0\% \times 7.0\%$).
- Pursuant to Tenn. Code Ann. § 67-6-103(a)(3)(A), local governments are apportioned a 4.5925 percent share of all state sales tax revenue as state-shared sales tax revenue.
- The recurring decrease in local government revenue as a result of reduced state-shared sales tax revenue will be \$19,023 ($\$414,225 \times 4.5925\%$).
- The net recurring decrease in state revenue will be \$395,202 ($\$414,225 - \$19,023$)
- The net recurring decrease in local government revenue will be \$166,961 [$(\$7,890,000 \times 75.0\% \times 2.5\%) + \$19,023$].

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Lucian D. Geise, Executive Director

/rnc